



New Entrant Grower (NEG) Program Consultation

Discussion Paper

January 2024

Section 1: Introduction

The BC Chicken Marketing Board (the Board) is conducting a consultation to support the development of a *new* New Entrant Grower (NEG) program. The Board has a long history of facilitating new entrants since 1973, when 18 new entrant growers were invited into the industry with an allocation of broiler quota. The program has undergone periodic reviews and amendments over the years. The most recent amendments were made to the program in 2016; these are outlined later in the paper.

Since 2016, the market conditions and policy landscape for chicken growers has shifted. The rising cost of agricultural land and inputs, especially in BC, for chicken production makes entering the industry increasingly difficult. The Board has been working, since 2020,¹ with stakeholder input, to update the pricing mechanism to reflect more accurately the cost of production for all growers. The Board is also acting to adjust the land ownership rules. Currently all land and quota must be owned in the same name to be a licensed chicken grower. Following a 2023 consultation with stakeholders, the Board is now working to allow the leasing of land/barns for licensed chicken production. This change is expected to be reflected in the Board's General Orders by Spring 2024. This rule change would lower one barrier to entry for new chicken growers, but access to quota remains a significant barrier to entry for most aspiring new entrants.

In 2021, the Board's Strategic Plan identified the need to update the New Entrant program; it also cited "the lack of long-term profitability of new entrants under the New Entrant Grower Program," as a key trend in the industry.

The Board now seeks input from current chicken growers (established and new) and other industry stakeholders, including the public over the course of the Board's three-month consultation process to aid the development of a revised NEG program.

¹ BC chicken growers have faced the significant challenges of both the November 2021 flood in the Fraser Valley and recurring Avian Influenza outbreaks, which slowed the Board's work on policy files. The New Entrant program has been closed to applications since 2016.

Public Policy Objectives

The primary policy objective of a New Entrant Grower program is simply to encourage and enable interested parties to enter the industry as new growers. Higher-level objectives include:

- **Sustainability:** to maintain chicken production as older growers retire and exit the industry; in turn, this supports the Ministry of Agriculture's food security objectives.
- **Renewal:** to promote innovation and progressive ideas within the industry, by ensuring new growers can enter the industry.
- **Trust:** to help maintain the social license granted to growers in a supply-managed industry, by promoting entry (access to quota) for interested new growers in a largely closed system.

Why Consult?

BC's agricultural commodity boards, including the BC Chicken Marketing Board, are first instance regulators that wield a significant amount of regulatory authority over industry participants. As such, boards are required to be accountable and responsive to the needs and best interests of those participants.

Consultation prior to making policy choices helps to bring current concerns and interests of a broad range of industry stakeholders to the attention of policy decision-makers. Consultation increases the level of transparency, which is imperative when a regulator is working to balance opposing interests. It also helps to identify the possible unintended consequences of proposed policy options. Diverse perspectives make the policy process more robust by bringing the practical realities of farming in BC, as well as processor and consumer interests to the table. This doesn't mean that all viewpoints will necessarily be satisfied with the policy outcome of such a process, but it should lead to an improved, more balanced outcome that takes account of these perspectives. Fairness is more likely achieved with an open, transparent policy-making process, of which consultation is a cornerstone.

Purpose of the Discussion Paper

The purpose of this discussion paper is to provide the outline of the consultation process, the policy framework to help guide and encourage thoughtful input on the components of a revised New Entrant Grower program. The Board does not wish to limit discussion to only the questions and issues raised here, but rather provide the basic parameters within which the Board is obligated to consider its principles-based decisions.

Section 2: Consultation Process: Overview

Timeline

Target Date	Consultation Activity
Feb 1, 2024	Consultation to launch on BCCMB website (NE Consultation webpage); survey link will be emailed to industry stakeholders; invite comments through website
Feb 14, 2024	Online survey closes, but website remains open for comments until April 30, 2024
Feb-Apr 2024	Focused consultation/meetings with New Entrant Program Committee made up of industry stakeholders. The committee is tasked with making non-binding recommendations to the board.
April 30, 2024	Consultation closes
May 2024	Board reviews roll-up and analysis of public consultation and recommendations and makes policy decision
June 2024	Board will implement and communicate NEW policy and program requirements via website, newsletter, etc.

Two Opportunities to engage

The online survey (posted on the BCCMB website) offers a set of focused and open-ended questions that respondents will have two weeks in which to participate. The survey will close **February 14, 2024**, to allow a roll-up of the responses to be considered by the New Entrant Program Committee (NEPC), as well as by the Board.

A dedicated link will also be publicly available on the BCCMB website where all stakeholders may submit comments until the end of the consultation period **April 30, 2024**. Both the survey responses and the comments will be considered by both the NEPC and the Board. In addition, they will be summarized/rolled up in a final policy decision paper. Respondents will be categorized according to broad identifiers (industry, government, grower, public, etc.) but otherwise will not be identified.

New Entrant Program Committee (NEPC): Role and Composition of the Committee

For more focused and detail-oriented feedback and discussion, the Board has created a New Entrant Program Committee (NEPC). In a specialized and supply-managed industry like chicken-growing, it is helpful to engage a committee of diverse and knowledgeable stakeholders to review options and make recommendations that regulators might otherwise miss.

The NEPC will review the survey results and other industry data and consider options for a revised New Entrant Grower Program. They will provide written, non-binding recommendations (with supporting rationale) to the Board. In turn, the Board may also direct the committee to consider specific options or questions that arise as the consultation progresses.

The committee will be made up of BC industry representatives as outlined below:

- 1 Vancouver Island grower
- 1 Interior grower
- 1 Lower Mainland grower
- 1 Specialty grower
- **One** of the above-named growers must be a New Entrant
- 1 processor representative
- 2 board members (one of whom will serve as Committee Chair)
- Potentially 1-2 banking representatives (agricultural sector)

It is expected that the committee will meet twice over the course of the consultation: the first time in-person and the second time via videoconferencing. If requested, the Board may ask the committee to meet on an additional occasion.

Section 3: Background

Current New Entrant Policy at the BCCMB

The New Entrant program has been closed to applications since 2012. Prior to 2016, the program provided up to 11,189 kgs of live weight per eight-week growing cycle.

Several amendments were made to the program in 2016 and are detailed in the section below. However, the key change was an increase of incentive quota of up to 20,000 kgs for an eligible New Entrant (NE), who could provide proof of land ownership, enough barn space, a business plan and had no previous supply-managed quota in their name. All NEs were required to have written contracts with processors before quota could be distributed. Applications were lottery drawn by region and added to the appropriate regional waitlist in the order in which they were drawn. The Board would then determine annually the number of NEs to be invited based on market and regional requirements. When any waitlist was down to two names, the Board would advertise vacancies and open the application process for a draw to be put on one of the waitlists.

The New Entrant incentive quota is funded by a formula which annually takes 5% of the average (based on the prior 3 years' quota transfers).² The funding (the 5% figure) for the NEs is deducted from the annual general production allocation to BC growers, thus redistributing the quota retractions from specific quota-sellers to the general BC grower population.

New Entrant incentive quota, like all Board-provided quota, including the matching Buy One, Get One optional matching quota,³ is subject to a declining transfer assessment of 10% per

² Schedule 9 of the BCCMB General Orders, p. 89.

³ The BOGO option: the BCCMB would match on a 1:1 basis up to a maximum of 10,000 kgs of quota. That is, a new entrant could purchase 10,000 kgs and receive from the Board a matching 10,000 kgs of quota—that 10,000 kgs would be subject to the declining transfer assessment of 10% per year.

year, so that after 10 years, the quota is fully transferable by the grower.⁴ Although in 2018, the “Last In First Out” (LIFO) rule was eliminated for all general allocations to growers, new entrant quota is considered the exception to this change where the LIFO rule remains in effect until the 10 years has elapsed.⁵

2016 amendments to the New Entrant Growers Program

Following a 2012 survey of growers and others with a potential interest in the industry, and a significant increase in production allocation in 2016, the Board made the following amendments to the New Entrant program:

1. Raised quota of all new and existing New Entrant Growers to 20,000 kgs based on the standard eight-week cycle (6.5 times per year) for a total of 130,000 kgs live weight per year.
2. Four NEs (Lower Mainland) were invited to join the industry in 2016 with allocations of 20,000 kgs each.
3. 21 existing NEs each received allocations of 8,811 kgs since the previous initial allocation under the program was originally 11,189 kgs. (11,189 + 8811 = 20,000).
4. Those existing NEs who had purchased quota above their initial allotment of 11,189 kgs were not penalized under this new quota allocation and were still allocated 8,811 kgs, even though this took their allotment beyond 20,000 kgs.
5. In addition to the “top-up” of 8811 kgs for existing NEs, the Board offered a “Buy One Get One” (BOGO) program for incentive quota, where NEs could purchase up to another 10,000 kgs and the Board would match on a 1:1 basis. (In other words, NEs could receive *up to* another 10,000 kgs in matching incentive quota.)

Section 4: Policy Framework

BC Farm Industry Review Board

All BC commodity boards fall under the general supervision of the BC Farm Industry Review Board (FIRB), as per s. 7.1 of the *Natural Products Marketing (BC) Act (NPMA)*. BC FIRB and the Board agree that a principles-based approach to policymaking is preferable to a prescriptive approach to policymaking because it allows for greater freedom for individuals within the regulated market, while providing a fair and transparent regulatory landscape in which to make business decisions.

⁴ Part 35 of the BCCMB General Orders, p. 50.

⁵ *Ibid.*, p. 50-51.

The SAFETI Principles⁶

SAFETI is an acronym that collectively refers to the six principles, which BC FIRB has provided to all marketing boards and commissions to assist them in making principles-based regulations and decisions:

- **Strategic** – Policies consider short and long-term risks and opportunities.
- **Accountable** – Policies are consistent with the *NPMA*, *NPMA* Regulations, the Board’s General Orders, and other relevant legislation.
- **Fair** – Procedural fairness in processes and decision-making.
- **Effective** – Clearly defined outcomes with appropriate processes and measures.
- **Transparent** – Processes, practices, procedures are open, accessible, and informed.
- **Inclusive** – All appropriate interests, including the public interest, are considered.

These principles provide a broad framework within which the Board makes all its regulatory decisions, so they should be kept in mind by the NEPC, when they make program recommendations to the Board.

The BC FIRB also from time to time provides specific directions to the commodity boards, including for New Entrant policy.

FIRB directives for NE policy:

In their 2005 Specialty and New Entrant review, the FIRB summarized the fundamentals of any New Entrant program:

The challenge faced by Boards in determining the amount is finding a balance in providing for a number of new entrants, providing a meaningful incentive amount, ensuring the operation has a chance to be viable, and respecting the rights of established producers.⁷

Other specific directives include:

- a. Program to “provide a mechanism to determine the number of New Entrants on a periodic basis.”⁸
- b. Should provide priority to new producers seeking or willing to produce a designated specialty product or serve a regional market when there is an identified need for either or both.
- c. New entrant quota incentives should be funded by transfer assessments and provincial allocation growth.
- d. Waitlists to be established.

⁶ Please see BCFIRB website for a more thorough discussion of these principles: [SAFETI doc](#)

⁷ BCFIRB Specialty Market and New Entrant Submissions: Policy, Analysis, Principles and Directions, September 1, 2005. This document is often referred to as the FIRB Specialty Review 2005, p.37. [FIRB Specialty 2005](#)

⁸ *Ibid.*, p.4.

- e. Minimum eligibility criteria:
 - i. BC residency
 - ii. Not having previously owned ANY supply management quota in Canada.
 - iii. Commitment by the applicant to be actively involved in the farm operation.
 - iv. NE quota incentives should be funded by transfer assessments and growth in provincial allocation.

Market Conditions and Trends

In June 2021, the Board contracted an environmental scan of trends impacting the chicken industry. MNP carried out interviews with key industry stakeholders and identified the following “trends”:

- Lack of profitability for producers
- Half of growers had no succession plan
- High cost of entering the industry
- “Ageing” of growers noted as a concern (the BC Ministry of Agriculture reported that in 2016 the average age of producers across all agriculture sectors in BC was 56 years).
- Difficulty in attracting labour to the industry
- New Entrants seen to be “struggling due to their small size”

These trends, which are not unique to the chicken-growing industry and appear to be long-term, should be kept in mind when considering the goals of the New Entrant program and how the Board should attempt to achieve those goals.